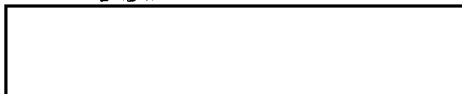


TOP SECRETNRP DIRECTIVE
NO. 512 -NATIONAL RECONNAISSANCE OFFICE
WashingtonSupport Activities ManagementNRP FINANCIAL MANAGEMENT PROCEDURES

SUMMARY: This document outlines the financial management procedures for the National Reconnaissance Program; describes an annual financial cycle; amplifies on the roles and responsibilities of the DNRO, the NRO Comptroller and the Program Directors in financial management; and describes the relationships of personnel outside the National Reconnaissance Office in the financial processes.

1. DEFINITIONS:

In the context of this document, the following definitions apply:

a. A fiscal year extends from July 1st thru the following June 30th. The "current" fiscal year applies to actions during this time period. The term "operating" fiscal year is used to distinguish preparatory efforts before July 1st which will lead to actions during the next current fiscal year. The "Budget" fiscal year is that immediately following the operating or current fiscal year. For example, during essentially the first half of current fiscal year 1966, NRO development and

TOP SECRET

25X1

TOP SECRET

substantiation, and Sec Def determination of budget year 1967 estimates will occur. During essentially the second half of the current fiscal year 1966, preparatory actions for operating year 1967 and budget year 1968 will occur.

b. The "Sec Def program procedures" include in the case of the NRP the annual submission of official Program Change Proposal (PCP) documents by the Secretary of the Air Force to the Secretary of Defense: Format A's, which are prepared by the OSD analysts, and summarize the submitted PCP, with the analysts' recommendations for approval or change; Format B's, which announce the Secretary of Defense's decision to the Sec AF; Format B Acknowledgements, which merely record official receipt of the Format B; and Format B reclamas, which are the official means for requesting reconsideration of certain Sec Def decisions. These are all based on designated "program elements," which include all appropriation costs involved. Inherently, the procedure also includes special studies, cost-effectiveness analyses, and detailed program and cost reviews by OSD personnel.

c. In addition to the preceding program formats, there are a number of other pertinent official or unofficial OSD forms related to NRP financial activities; (1) The apportionment requests, submitted by fiscal appropriation to OSD, ask for official release of funds by OSD against Congressional appropriations or interim authority, and are

ordinarily submitted by the Air Force in early-June.

The NRP accounts are included under innocuous entries, such as Classified Projects, Other Charges and Special Support Activities.

(2) Reprogramming Actions, submitted by fiscal appropriation to OSD, request official transfer of funds during the current year from one program to another within the appropriation. These ultimately are furnished to Congress for review.

(3) The Air Force Budget Estimate, submitted by fiscal appropriation to OSD, requests official approval of the submitted programs and costs for inclusion in the President's Budget. The NRP accounts again use the innocuous entries.

(4) To the extent that OSD does not release the entire amount in the appropriation request for a line entry at the beginning of a fiscal year, the unreleased amount is placed on an "OSD deferred list," and a memorandum from the Air Force to OSD must be submitted requesting release, a responding "program approval" memorandum must be issued by OSD, then followed by a financial approval memo from OSD Comptroller. Invariably, sizeable NRP amounts are placed on the OSD deferred list at the beginning of a fiscal year. This does not necessarily inhibit program approvals to the directors under NRO procedures, but does preclude full release of funds.

TOP SECRET

(5) Periodic obligation and expenditure forecasts and status reports by fiscal appropriation are furnished to OSD. Again, the innocuous entries are used for the MRP accounts.

(6) Special formats are developed for presentation of budget estimates to OSD and DOD reviewers, and others for presentation to Congress. These are usually non-standard, and adapted to the situation or changing requests.

2. GENERAL CONCEPT:

The MRP financial management procedures are "streamlined" in nature, in that programs and costs are not subjected to extensive reviews by a number of echelons within the Air Force and OSD; waivers have been granted on compliance with certain regulations, data submissions, and control procedures; a major portion of the funds available are issued directly to the program directors; costing studies and exercises are minimized; and more fund flexibility within the MRP is allowable than under regular Air Force accounts. However, this places an added burden on the entire MRP to follow good management practices, and demonstrate effective utilization of funds available, in order to continue on the "streamlined" basis. The MRP financial management procedures generally follow or parallel prescribed or standard techniques in many instances -- the DOD programming system is followed; there are official budget "calls," program approvals, and fund controls; contracting is in accordance with specified regulations, and

TOP SECRET

[REDACTED]

all contracts are independently audited; cost-effectiveness studies are made; monthly financial status reports are required, as well as quarterly program status reports; appropriation and accounting laws and regulations must be observed; and cost estimates and fund utilization are subjected to OSD, Bureau of Budget and Congressional reviews.

3. THE FINANCIAL CYCLE:

a. A new financial cycle is initiated annually when the DNRD Comptroller (with the assistance of SAFSS) develops specific requests to all program directors for cost estimate submissions for the ensuing "operating" fiscal year, the budget year, and four succeeding years. This coverage is required under the Sec Def program procedures, and the timing of the request and submission due dates relate directly to Sec Def prescribed dates for departmental apportionment requests, Program Change Proposal submissions, and budget estimate submissions. The requests are reviewed by the DNRD, and are issued to the program directors over DNRD signature. These requests are ordinarily issued about mid-March, and call for Director's submissions in the May 1-15 timeperiod.

b. Inasmuch as the cost estimate requests are annual, and a number of projects are continuing in nature, the program directors can take anticipatory actions before these

TOP SECRET

TOP SECRET

requests are received. For example, assessment can be made of the status of past and current year funding programs; exploration and establishment of at least tentative program goals (flying hours, test programs, launch programs, etc.); analysis of contract status in relation to future funding requirements; identification of unit costs for project components; exploratory discussions with contractors; identification of desirable new projects or tasks; etc.

c. The cost estimates, and the program considerations which form the basis for the estimates, are required to be submitted in significant detail for the ensuing operating fiscal year and the budget year. Estimates for the then succeeding four fiscal years may be in less detail, as specified in the DNRO cost estimate request (inasmuch as these are "planning" estimates, subject to reconsideration with the next fiscal year's submissions). Complete cost estimates are required from each program director, covering all projects or tasks under his assigned jurisdiction.

d. When the cost estimates are submitted by the program directors, the NRO Comptroller (with the assistance of SAFSS) immediately begins a detailed analysis of the ensuing "operating" fiscal year requirements. This analysis involves not only the operating year, but prior and future year costs as well, to identify past experience and trends, as well as future impacts. Discussions are held with the

TOP SECRET

TOP SECRET

program director and project personnel, and correspondence is exchanged as required on any questionable areas.

e. After completion of an intensive review, the NRO Comptroller discusses his recommendations for initial program approvals for the ensuing operating year, with full recognition of program director submissions, with the DMRD. After DMRD review and reaction, a specific initial program approval memorandum to each program director is developed by the NRO Comptroller for DMRD signature. These initial program approval memos are ordinarily issued before July 1, in order that the program directors may initiate their programs at the beginning of the fiscal year under DMRD guidance. The program directors may recommend changes to these initial program approvals at any time thruout the fiscal year.

f. Concurrently with these actions on the ensuing operating year, the NRO Comptroller issues instructions to on the amounts by fiscal appropriation to be included in apportionment requests to OSD (these can not exceed amounts included in the President's Budget), and justifies apportionment request details to appropriate OSD personnel. When the OSD apportionment release amounts are established, the NRO Comptroller instructs

25X1
NRO

25X1
NRO
25X1

TOP SECRET

TOP SECRET

25X1

25X1

25X1

25X1

[REDACTED]

[REDACTED]

[REDACTED]

Fund releases to the program

directors are generally on a fiscal quarter basis; however, the program directors have full authority to proceed contractually against the DNRO initial program approvals for the entire fiscal year, and as revised program approvals are issued. The fund release process continues thruout the fiscal year, based on NRO Comptroller specific instructions [REDACTED]

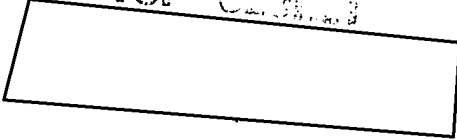
25X1
NRO25X1
NRO

[REDACTED]

g. After the initial program approvals and funds are issued against the operating year, the NRO Comptroller (with the assistance of SAFSS) concentrates on the budget year estimates, and then the four succeeding year estimates, preparatory to the development of Program Change Proposals and budget estimate submissions. Technically, the Program

25X1

25X1

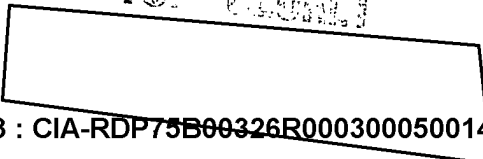

TOP SECRET

Change Proposal (PCP) is due to OSD by June 1st; however, arrangements with OSD have enabled delays in the past up until mid-September (there is no guarantee in any year that submission extensions will be granted). One of the specified criteria for the departmental budget estimate submissions (invariably due October 1st) is that cost estimates must be supported by approved or submitted PCP's.

h. In analyzing the budget and future year cost estimates, discussions and correspondence exchanges with the program directors apply, to clarify any questionable area or develop cost revisions based on project or task changed approaches. Periodic discussions are held with the DNRO as the analysis of portions of estimates are completed, then final over-all sessions for the total NRP are held to establish the DNRO-recommended PCP and budget submissions. The program directors will have access to the DNRO budget recommendations for their accounts at any time after DNRO initial determinations are made, and may reclaim any portions thereof, with written substantiation for the reclaim. Under the new NRP agreement, a budget review by the NRP Executive Committee may be held either before or after official submission of PCP's and budgets to OSD, as technically the President's Budget is open for decision until early December.

i. In developing the PCP's and budget and supporting

9

TOP SECRET


25X1

TOP SECRET

[redacted]

data, the NRO Comptroller must rearrange the estimates into groupings specified by OSD, determine proper appropriation chargeability, reflect costs against OSD standard development-investment-operating categories, portray obligations against prior year funds in detail, reflect line-item supporting data for all projects or tasks, [redacted]

25X1

25X1 [redacted] on the amounts to be included in the [redacted] total
NRO

NRO

budget estimates, prepare the PCP's, and insure that PCP's and budget estimates for projects related to the NRP, but not directly chargeable to the NRP are related and consistent.

j. Shortly after submission of the PCP, thorough reviews with OSD and BOB personnel are held by the NRO Comptroller, with assistance of the program directors as may be required. As the OSD/BOB detailed examinations continue, they ordinarily contact SAFSS, the program directors, other personnel in their own organizations, etc., to discuss technical aspects, capabilities, relationships to other efforts, etc. From these reviews, program and funding issues may develop, which are subject to resolution with the NRO Comptroller, the DMR, OSD EBR&E and Comptroller on the relatively minor issues, and with the Deputy Sec Def or Sec Def and the Directors of Central Intelligence and the Bureau of Budget if a major issue develops.

k. When the issues are settled, OSD ordinarily prepares

TOP SECRET

25X1

TOP SECRET

a Format A (analyst's evaluation and recommendation to Sec Def, and a Format B (Sec Def Decision) reflecting the approved program, which is sent to the [redacted]

25X1
NRO25X1
NRO

[redacted] and must be officially acknowledged even if a reclama is intended. In some instances, timing or other circumstances may preclude a Format B issuance, in which case a Sec Def Subject/Issue budget decision would be issued to [redacted]. In either event, they set the President's Budget figures. The program directors are then officially notified of the amounts included in the President's Budget for their accounts, for forward planning purposes (however, no contractual actions can be taken against these amounts).

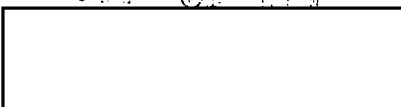
25X1
NRO

1. Preparatory to testifying before Congress on the NRP Budget, the OSD Comptroller and DDR&E are briefed by the NRO Comptroller on program and cost highlights, and special formats are prepared for their assistance. Generally, a one-time session is held with the Congressional chairmen on the NRP budget, with participation also by the ECI and DNRO. Subsequently, the cleared Committee clerks will have separate detailed sessions with the NRO Comptroller periodically.

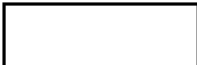
m. While these PCP and budget actions are proceeding, current fiscal year financial management actions are continuing, and apply thruout the fiscal year. New or changed proposals from the program directors are considered and given official reactions by the DNRO, funds are issued, program

25X1

25X1

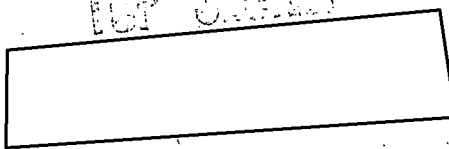
~~TOP SECRET~~

analyses are made, and additional or changed program direction may be issued by the DNRO. There is a system of monthly financial status reports from each of the program directors, generally adapted to tie in with their individual financial information needs. Also, quarterly reports are required from each program director, which summarize program highlights, accomplishments against objectives, problems, solutions, contract status, etc. Both the monthly and quarterly reports are very important to program and financial management.

n. Invariably, OSD withholds a significant portion of NRO funds from apportionment release at the beginning of a fiscal year. This necessitates that the NRO Comptroller initiate action to obtain release of the "deferred" funds thru additional discussions and reviews with OSD, preparation of official requests for DNRO signature, and further instructions to  when program approvals and funds are released by OSD

25X1
NRO

o. Presently, all NRP funds are included in "no year" appropriations (available for obligation until expended). Accordingly, a particular financial cycle may involve obligations and will involve expenditures in later fiscal years. Accordingly, the financial cycle is not complete until a particular fiscal year's funds are completely expended. Thruout the entire process, the program directors are expected to maintain good

~~TOP SECRET~~

25X1

TOP SECRET

management practices with respect to application of funds, obligations and expenditures.

4. OTHER PERTINENT CONSIDERATIONS:

25X1
NR
O

25X1
NR
O

[redacted] that available funds are effectively and properly utilized, and that continuing efforts be made

TOP SECRET

[REDACTED]

to reduce supporting costs, consistent with the high priority afforded the program.

5. EFFECTIVE DATE:

Inasmuch as this is primarily a summation of existing financial management procedures, and any refinements or changes reflected herein will be addressed in more detail in future financial actions, it should be considered informative rather than directive in nature. Accordingly, no preceding financial management directives, instructions or practices are changed hereby.

25X1